

Supplement to INFORMATION LETTER NATIONAL CANNERS ASSOCIATION

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Background Information for Planning Industry's 1945 Production

INTRODUCTION

To assist the Planning Committee in its study of production plans for 1945 and in the formulation of recommendations to be presented to the Board of Directors and eventually to various government agencies, the Association's Division of Statistics, assisted by members of the staff and counsel, prepared in October a memorandum furnishing background information on pack and civilian supplies, OPA price ceilings, subsidies, government price support, existing statutory commitments to support agricultural prices, rationing, manpower, and use of critical materials. On these subjects, the memorandum furnished information as to the status in October, a brief historical review and a statement of the questions on which the various government agencies undoubtedly would request recommendations.

Copies of the memorandum were later sent to members of the Administrative Council and the Board of Directors so that they might have the benefit of the background information made available to the Planning Committee and thus be better prepared for consideration of the Committee's recommendations at the meetings of the Council and Board on November 27-29. The memorandum is now made available to the industry as a supplement to the INFORMATION LETTER, in the belief that it will be both informative and helpful to individual canners in considering their own planning for 1945.

It is unnecessary perhaps to point out that the data, derived chiefly from governmental sources, supplemented by information developed by the Association, relates to the industry as a whole and is to be considered from the industry standpoint in making recommendations for governmental action rather than as representing the position of any individual canner or group of canners.

Since the preparation of the memorandum there have been some new developments with reference to the 1945 program. Among them are the announcements of the War Food Admin-

istration as to production goals and support prices on major crops (INFORMATION LETTERS for November 18 and 25) and action taken at the Board of Directors' meeting (INFORMATION LETTER for December 2).

PACK AND CIVILIAN SUPPLIES

In spite of higher war-time total packs of canned fruits and vegetables, the supplies available for civilian consumers have been less than pre-war consumption. The 1944 pack of canned fruits is expected to be about 20 per cent greater than the average of the five years immediately preceding the war, but civilian supplies about the same as in 1943 or slightly more than half average consumption. The 1944 pack of the 12 major canned vegetables is expected to be about 40 per cent above pre-war, but civilian supplies about two-thirds average consumption. The 1944 pack of canned fruit juices is expected to be 60 per cent greater than average and the civilian supplies will be somewhat less than pre-war. This picture of civilian supplies will change sharply if packs remain at war-time levels when government purchasing is reduced to peace-time levels. Detailed comparisons of packs and civilian supplies for the major canned fruits and vegetables are shown in Appendix Tables I, II, and III.

Summary of Packs and Supplies

A summary of the estimated 1944 packs, government allocations, and civilian supplies with historical comparison, as compiled from NCA and government sources, is given at bottom of this page.

Acreage for Major Vegetable Crops

The acreage of vegetables for processing has increased substantially over pre-war plantings as indicated below:

*Planted Acreage of Specified Vegetables for Processing
1937 to 1941 Average, 1942, 1943 and 1944.*

Commodity	Snap beans	Sweet corn	Green peas	Toma- toes
<i>Thousand acres</i>				
1937-41 average..	75.0	373.2	334.9	428.3
1942.....	135.3	485.6	434.1	601.2
1943.....	161.2	506.5	433.3	555.2
1944.....	179.1	526.4	445.9	605.6

In considering these comparisons it should be borne in mind that the 1937 to 1941 average acreages are higher than for earlier years. Similar comparisons are not shown for fruits where the problem is one of the utilization of the crop produced, rather than that of annual plantings.

OPA CEILING PRICES

Present Status (1944 Plan)

Canned fruits and vegetables of the 1944 pack are priced by OPA accord-

*Canned Fruits and Vegetables: 1944 Packs, Civilian Supply, and Government Allocations with Comparisons
Estimated as of October 31, 1944*

Commodity	Fruit	Fruit juices	Twelve vegetables(a)	Other vegetables	Total vegetables
<i>Million cases (b)</i>					
1937-41 average:					
Average domestic use.....	46.3	31.1	117.9	**	**
1942:					
Pack.....	58.2	46.9	190.2	33.6	213.8
Government requirements.....	22.6	8.2	65.0	7.6	73.6
Available for civilians.....	35.6	41.7	125.2	16.0	141.3
1943:					
Pack.....	44.3	54.6	169.4	31.3	200.7
Government requirements(c).....	21.1	17.6	54.7	15.5	70.3
Available for civilians.....	24.9	36.4	116.7	15.8	132.5
1944:					
Estimated pack.....	61.7	50.6	169.9	26.9	196.8
Government requirements(d).....	36.1	23.8	82.3	9.1	91.4
Available for civilians(d).....	25.6	27.2	88.6	18.3	106.8

** Not available.

(a) Includes canned asparagus, lima beans, green and wax beans, beets, carrots, corn, peas, pumpkin and squash, spinach, tomatoes, tomato juice, tomato pulp.

(b) Fruits basis 24 No. 2½ cans and fruit juices and vegetables 24 No. 2 cans.

(c) Adjusted for releases of contingency reserve.

(d) In the case of vegetables assumes that the contingency reserve will be released for civilians.

ing to two formulae. Formula No. 1 is used for pricing the principal canned fruits and vegetables. This formula is designed to raise the price pattern of 1941 to the 1944 level. Each canner is required to establish a 1941 base price (the weighted average price of sales made during the first 60 days of his 1941 pack). OPA calculated the increase in the cost of packing from 1941 to 1943 (adjusted to 1944), which increase became the basis for the calculation of the "permitted increase" that OPA allowed the canner to add to his base price.

OPA in establishing prices for 1944, set up an industry-wide profit criterion of 6.9 per cent of sales, before taxes (the average profits for 1940-41). This rate was 1.74 per cent lower than the average earnings for the industry as a whole for 1941. Thus, it was determined by OPA that the canner's base price of all items for 1941 should be reduced by 1.74 per cent to make it reflect only the average earnings of 1940-1941. This reduction was for convenience taken off of the increase in costs when establishing the permitted increase. Thus, the permitted increase when added to the base price was supposed to give the canner a 1944 price which would reflect his 1941 pattern of prices and would provide a profit for the industry as a whole equal to that of 1940-1941. To put it another way, the objective was to fix ceiling prices which would give 6.9 per cent on 1944 sales values. (For relationship of OPA ceiling price to subsidy payments, see section on subsidy.)

Individual hardships arising from the fact that base period prices for some canners and for certain items of other canners were in some instances lower than the market conditions during the base period warranted, are adjusted upward to a minimum price authorized by OPA for each pricing area. Likewise some of the individual high prices are reduced to a maximum permitted for each area.

Pricing Method No. 2 is designed to carry out the same principle as Pricing Method No. 1, but owing to the absence of adequate price and cost figures it was necessary to construct a formula that differed in its details of application from that of Formula No. 1. Under Formula No. 2 the canner's base price is his 1943 civilian ceiling price. (Because of the formula used under MPR 306 this 1943 price reflected the pricing pattern of 1941 in most instances.) To this base price is added a factor to cover the permitted increases in wage rates for 1943 and 1944. (In most instances this factor will be that listed in MPR 306 for pricing 1943 sales

to the Army.) The price resulting from this addition is to be reduced 2 per cent to cut the 1943 profit back to the level of 1940-1941. The result represents the canner's 1944 civilian gross ceiling price, provided there was no change in the permitted raw product cost from 1943 to 1944. If a higher raw product cost was permitted for 1944 over 1943, either because of increases in grower support prices or because of an increase in the designated raw product price, such increases may be added in constructing the 1944 civilian gross ceiling price.

Since there are no minimum and maximum prices under Pricing Method No. 2, individual relief is to be provided by a special hardship clause which is designed to give a canner a price for a given item that would barely cover the costs of packing in the event his overall profits before taxes amounted to 3 per cent or less. Three per cent represents the profit earnings before taxes by the lowest 25 per cent of the industry as measured by the OPA sample. This 3 per cent is on 1943 values, which when compared with 1941 values is somewhat higher.

History

The Emergency Price Control Act of January 30, 1942, established the Office of Price Administration. The first legal control of prices was contained in the temporary "Freeze Order" in late February, 1942, which established ceilings at the highest price charged between February 22 and 27. This control was extended under the General Maximum Price Regulation issued April 28, 1942, which established ceiling prices for canned foods at the highest price charged during the month of March, 1942. The pricing technique employed in GMPR was known as the "freeze" technique, which is not well adapted to the pricing of canned fruits and vegetables.

1942 Plan: The 1942 pack was priced by OPA by issuing special pricing regulations, No. 152 for vegetables and No. 185 for fruits. The formula pricing technique was used in both of these Maximum Price Regulations. The formula used was designed to preserve the price pattern of 1941 as determined by the weighted average prices of sales made during the first 60 days of the 1941 pack.

Increases in costs of packing were permitted to be added to the 1941 base price. The cost increases that were permitted were as follows:

Canned vegetables: 8 per cent was to be added to the base price to cover all cost increases except that of raw

product. The raw product cost increase permitted was the difference between the 1941 cost and the 1942, the latter to be measured by the contract price as of May 4, 1942.

Canned fruits: 10 per cent was to be added to the base price to cover all cost increases except that of raw product. The raw product cost increase permitted was the difference between the 1941 costs and the price authorized by OPA for 1942.

This method of pricing was satisfactory except for the fact that the base period prices did not, in some instances, accurately reflect the market conditions of 1941. Consequently the 1942 prices established in such cases constituted a hardship for a number of canners. Owing to the fact OPA was reluctant to provide relief for these hardships there were a number of complaints of this pricing technique.

1943 Plan: For 1943 OPA decided to change its pricing technique instead of perfecting the method that was used for 1942. "Flat pricing" was introduced by OPA for 1943. The principal canned vegetables were flat-priced by regions, but for many of the minor canned vegetable products and for most of the fruits the 1942 formula pricing method was used without any effort to correct the inequities of that formula. Thus, insofar as canned fruits and vegetables were priced in 1943 by formula, the same objection was raised by canners as had been expressed in 1942. (An attempt was made in 1944 to correct this error by introducing a minimum and maximum price permitted in each region. This method, however, was not used in 1944 for those products priced under Pricing Method No. 2.)

Many canners objected to the flat-pricing technique used in 1943 because it failed to preserve the pricing pattern established under competitive conditions prior to the era of price regulation.

Issues Involved in 1945 Program

The principal objective of price control by OPA has been to prevent inflation through abnormal advances in prices. Thus the control has been effected through the establishment of ceiling prices. The concept of floor prices has not been introduced into the OPA price control program. In fact, the OPA pricing officials have stated that price control will be withdrawn as soon as supply and demand conditions are restored to normal as evidenced by sales being made at prices below the ceiling prices authorized by OPA.

The pricing program for 1945 must,

therefore, be considered in the light of these expressed policies. It is not possible to forecast supply and demand conditions for 1945 at this time with a sufficient degree of accuracy to recommend a definite pricing program. Certainly insofar as the demand side of the picture is concerned, one must take into account the time the war will close in Europe—V-E Day as it is frequently designated. Thus, suggestions with respect to the 1945 pricing program should probably be made under two assumptions: (1) that V-E Day will be prior to the development of plans for the 1945 packing season, and (2) that V-E Day will not come until after the plans for the 1945 pack will have been completed.

Certain problems will arise under either or both of these assumptions. For example, assuming there will be a price control program for 1945, does the industry want OPA to develop a new pricing technique? If so, what specific suggestions might be offered? Can the prices as authorized by OPA for 1944 be used as a basis for the 1945 program? If that is done a relatively simple formula for 1945 could be evolved well in advance of the 1945 pack. A great deal, however, would depend upon the degree of satisfaction of the job done by OPA in 1944. If the 1944 price is to be used as a base for 1945, the various individual hardships that have developed under the 1944 pricing system would of necessity have to be relieved by OPA. Otherwise, the same mistake of perpetuating errors would be made in 1945 as has been made in the past.

SUBSIDIES

Present Status

The subsidy program for the 1944 pack of canned vegetables is based on the Vinson Directive of October 7, which supplements and supersedes the directives of July 17 and August 8, 1944. These directives authorized WFA to pay subsidies to canners on civilian sales of canned corn, peas, beans, tomatoes and tomato juice. It also authorized subsidies for tomato and pea soup, and other tomato products. The rate of payment is expressed in terms of the finished product, i. e., dozen cans.

In the case of the first list of products the rate is determined by the government agencies and represents the difference between average prices authorized by OPA for 1943 and the gross ceiling prices authorized by OPA for 1944. Thus, it is a consumer subsidy, since this difference represents the excess of the 1944 prices over the "hold-the-line" price level. In the case of tomato

and pea soup and tomato products, such as catsup, pulp, paste, etc., the OPA ceiling price is to reflect the raw product cost as of 1942 only. The difference between the 1942 raw product cost and that permitted for 1944 is to be subsidized. The subsidy rate for this year, however, is to be expressed in terms of finished product rather than the tonnage of tomatoes, as it was last year.

History

Subsidies were paid for the first time on canned foods in 1943. In order to make effective the President's "hold-the-line" order of April 8, 1943, the OPA was unable to reflect in its ceiling prices the full increase in the raw product cost, and the Commodity Credit Corporation was directed to pay the canner a subsidy to cover the increase in raw product. The rate of the subsidy was determined by the amount of the increase in the support price in 1943 over the area average paid in 1942, and the rate of payment was expressed in tons of raw product. Additional subsidies were paid to canners who could qualify under Section 10(a) of the CCC contract. These later subsidy payments were designed to cover costs of transportation from the assembly point to the factory. Since this was an integral part of the raw product cost to the canner, this subsidy was also a raw product subsidy. Thus, both of these subsidy payments were, in fact, grower subsidies. They were paid to the canners rather than the growers because of convenience of administration.

The OPA pricing program for 1943 contemplated reflecting WLE approved wage increases in the ceiling prices. This plan was, however, altered by the President's "hold-the-line" order and the subsequent Vinson directive. These wage increases were reflected in the ceiling price on sales made to government agencies, but not on sales made to the civilian trade. Increased costs due to approved wage increases could be recovered on civilian sales only by those canners who could establish a hardship case under Section 10 (b) of the CCC contract, or, in other words, if a canner could prove that his profits on all of his business were so low that he could not absorb these increased labor costs, he could apply under Section 10(b) for a subsidy.

Owing to certain difficulties in administering the 1943 program, WFA recommended for 1944 that the subsidy be based on the finished product, and that the rate of payment be not related to the increase in the raw product cost or to the increase in any cost,

but that it be merely the difference between the average of the 1944 gross ceiling prices as established by OPA and the average of the 1943 ceiling prices, which was considered to be the "hold-the-line" price level. It was argued that, if the latter method of calculating the subsidy rate were used, increases in labor cost as well as increases in raw product cost could be subsidized. This method for calculating the subsidy rate was used, as pointed out above, for only the principal canned vegetables.

The industry's position with respect to subsidies has been that no subsidies should be paid for canned foods, and that all increases in cost should be reflected in the OPA ceiling price. Since, however, government agencies have insisted on paying subsidies, the industry has modified its position to the extent that, if subsidies are to be paid, they should be paid on the raw product basis, that the amount of the subsidy rate should be determined by the amount of the increase in raw product price authorized, and that all other cost increases be reflected in the OPA ceiling price.

Issues Involved in 1945 Program

Congress in extending the Commodity Credit Corporation activities permits the payments of subsidies only to June 30, 1945. The government agencies have not issued any statements with respect to their policy of using subsidies for next year.

The following questions have been raised: If the grower support prices are reduced for 1945, should subsidy payments be reduced accordingly? Since the present subsidy program is designed to subsidize the consumer, should these subsidy payments be continued if consumer purchasing power declines with the decline in grower support prices? Since 1944 subsidies on the major canned vegetables are presumed to include some of the wage increases, can subsidies be eliminated entirely if wage rates for 1945 are maintained at present levels? Does the industry want to continue to be the disbursing agent in the distribution of government subsidies either to grower or to the consumer?

GOVERNMENT PRICE SUPPORT

Present Status

The War Food Administration announced grower support prices for the 1944 crop of apricots, peaches, and pears for canning. These grower support prices are to be effected through an announcement that WFA will purchase any quantity of the 1944 pack of canned apricots, peaches, pears,

fruit cocktail, and fruit mix at 86.4 per cent of the canner's civilian price ceilings provided this price does not exceed certain limits. Cannery eligibility is conditioned upon having paid growers at least the grower support prices for all quantities of the raw fruit purchased. The canner, at his option, may be reimbursed for the difference between the appropriate support level and the price below this level at which sales in civilian trade channels are made. If prices drop below the support levels this procedure will permit cannery to sell at prices determined by supply and demand and to receive the difference between this price and the support level from the government. In effect, this option would obviate the necessity for government purchases and later resales and will facilitate movement of supplies through normal trade channels. On fruits covered by WFO 22.6 the procurement of at least 90 per cent of the set-aside was announced by the War Food Administration. Thus, there is a dual support program for the 1944 canned fruit pack.

The grower support prices for the 1944 crop vegetables followed the same pattern as in the previous year and covered the same crops, with the addition of spinach. These were underwritten through a floor price program to certified cannery on the canned product and on the major vegetables by the certification requirement as a condition to subsidy payment. Furthermore, all vegetables included in WFO 22.6 were covered by the WFA announcement that not less than 90 per cent of the set-aside will be purchased.

For certain other vegetable crops designated grower prices to be reflected in price ceilings have been announced. These furnished indirect grower price support.

In summarizing these programs, two points should be mentioned: (1) Grower prices are not supported by an offer to buy the raw product direct from the grower but through offers to purchase the canned product from the canner. The only assurance of receiving the support price that the government extends to growers is through dealing with a canner who qualifies for the support on the canned product. (2) Since 1941 there has been a gradual shift in primary emphasis in the programs from cannery to growers.

History

Prior to 1944 there were no announced price support programs for canned fruits. In some cases, however, grower prices of canning fruits have been supported through special arrange-

ments to can surplus fruit. Prices of dried fruit, however, have been supported by the War Food Administration during recent years. The announcement of designated grower prices to be reflected in price ceilings has afforded indirect grower price support. These designated prices are the grower prices recommended by the WFA to OPA to serve as the raw product reflection in price ceilings on the finished product.

The government support programs for canned vegetables began in the Spring of 1941 with the first canned tomato program. To encourage plantings for the increased pack needed, the Department of Agriculture announced that it would purchase canned tomatoes at prices allowing for increases of \$2.75 to \$3.00 per ton over 1940 contract prices to growers. Spot and future purchases, on an offer and acceptance basis, aggregating in excess of 5 million cases were made. Through government purchases from cannery, indirect price support was extended to growers at higher prices than during the previous year.

The Department of Agriculture announced that it would purchase all quantities of 1942 pack canned tomatoes and peas offered at base prices of \$0.95 per dozen No. 2's for Standard tomatoes and \$1.10 per dozen No. 2's for Standard Alaska and Sweet peas. This support was extended to only those processors who paid growers at least specified minimum prices which amounted to \$5.00 per ton for tomatoes and \$17.50 per ton for peas over the 1940 prices. Although the support was not extended to tomato products, the minimum grower prices were applicable to all tomatoes for processing. This program was based on the assumption that higher prices were needed to encourage acreage expansion and to provide price support to both growers and cannery.

With the inauguration of price ceilings a support program was announced in May, 1942, covering the 1942 pack of canned asparagus, lima beans, snap beans, beets, carrots, sweet corn, green peas, spinach, pumpkin and squash, tomatoes, and tomato juice. Subject to certain maximum price and grade limitations, it was announced that all quantities of these canned vegetables offered would be purchased at 92 per cent of gross civilian ceilings. This program was intended to assure an outlet, through cannery, for crops that growers already had contracted to produce, and it supplemented the previously announced program on tomatoes and peas. The price regulations recognized raw product increases as of May 4, 1942.

When a surplus of cabbage developed in the Fall of 1942, a program was announced which included support grower prices at \$7.50 per ton through diversion payments, and an offer to purchase all bulk supplies remaining in cannery hands after March 1, 1943.

For the 1943 crop the Department of Agriculture announced grower support prices for lima beans, snap beans, beets, carrots, cabbage for kraut, sweet corn, green peas, and tomatoes for processing. Specific dollar and cents grower support prices were announced by crops and areas, with the exception of green peas, for which the support was specified as an increase of \$17.50 per ton over 1942.

The prices for the 1943 packs of canned lima beans, snap beans, beets, carrots, sweet corn, green peas, tomatoes, tomato juice, tomato pulp, and tomato paste were supported by an announcement that WFA would purchase at 95 per cent of set civilian ceilings (approximately 92 per cent of gross civilian ceilings). This support (floor price program) was extended only to certified cannery who agreed to pay by written contract not less than the grower support prices. The grower support prices for snap beans, sweet corn, green peas and tomatoes were further implemented through requiring cannery to pay grower support prices to qualify for subsidy payments. No floor price program was adopted for sauerkraut since the ceilings, in view of a short crop, reflected a considerably higher price than the grower support.

Existing Statutory Commitments to Support Agricultural Prices

The exact scope and effect of the numerous Congressional enactments, amendments, and declarations dealing with farm price support operations of the Federal Government are matters of dispute among lawyers. There appears to be general agreement, however, that as to so-called "Basic Farm Commodities," that is, corn, wheat, tobacco, rice, peanuts, and cotton, the Federal Government is committed by law to support farm prices for two years after the war through producer loans at 90 per cent of parity or more. There are also existing Congressional directions that these producers be assured in every lawful way of the parity price or the highest price received between January and September, 1942, whichever is higher.

With respect to what are called "Stagall Commodities," there is a Congressional direction that farm prices be supported, in some unspecified way, at not less than 90 per cent of parity or

comparable price for at least two years after the war. The President is also directed to assure to producers of such "Stengall Commodities" parity or the highest price between January and September, 1942. No commodity is a "Stengall Commodity" unless there has been a public announcement designating it as such. Only the following commodities have thus far been designated: Hogs; eggs; chickens and turkeys; milk and butter fat; certain varieties of dry peas and of dry beans; soy beans for oil; peanuts for oil; flax seed for oil; certain varieties of cotton; potatoes; and cured sweet potatoes.

As to all other commodities—which includes the principal fruits and vegetables for canning—there is a Congressional declaration of policy that the lending and purchasing operation of the Department of Agriculture should be carried out so as to bring the prices of these farm commodities "to a fair parity relationship with other commodities." But this Congressional statement of policy makes it clear that this is to be done only:

"to the extent that funds for such operations are available."

It is understood that at the present time the Solicitor of the Department of Agriculture takes the position that these Congressional declarations apply only to price and not to the amount of production. Therefore, it is believed that the price support programs can be conditioned on required reduction of the amount produced. Moreover, the Department of Agriculture takes the position that its operations to support farm prices are not subsidy programs subject to the requirement of the Stabilization Act that prior to next June Congress must specifically authorize each such program.

Any realistic appraisal of future support activities must also take into account the possibility that Congress may, at any time, amend existing laws or enact additional laws providing for price support of any agricultural commodity. It should also be recognized that indirect price support can be achieved through regulation of marketing and production, by encouraging increased consumption, or by restricting the time or method of disposal of government stocks.

During the first eight months of 1944 the prices of all farm products and all crops averaged 181 and 203 per cent, respectively, of the corresponding 1935 to 1939 average farm prices. The 1944 support prices for fruits and canning on this basis are 256 per cent of the 1935 to 1939 average for apricots, 233 for clingstone peaches, and 333 for

pears, and of vegetables for processing, 204 for snap beans and tomatoes, 182 for sweet corn, and 163 for green peas. In evaluating these comparisons the relative labor requirements for these crops compared with all crops should be considered. This is of particular importance since labor costs have increased more rapidly than other costs. These comparisons for fruits and vegetables for canning, together with prices for wheat, corn, potatoes, and soy beans, livestock and dairy products, are shown for the years 1940 through 1944 and with parity in Table VI.

Issues Involved in 1945 Program

In formulating an opinion as to the desirability of government post-war price support for canned fruits and vegetables, the impact of post-war adjustments merits careful consideration. The first question is that of how large packs can be successfully merchandised at various price levels. This is intimately associated with the levels of post-war consumer income and any changes in the pattern of consumers' purchases that may have occurred during the war. This approximate demand schedule then should be related to anticipated costs, including assumptions of post-war grower prices and labor rates.

Although the same general considerations are applicable to both, the impact of the adjustment problems of canners is likely to be considerably different for fruits than for vegetables. One of the considerations in the case of fruits is the utilization of the crop produced, which involves prices in the alternative outlets. In the case of vegetables the price offered growers for contract acreage must be comparable to returns expected from other alternative crops to induce plantings of processing vegetables.

In anticipating post-war possibilities the expected levels of prices in general, or purchasing power, will govern to a considerable degree the extent and scope of government activities desired. This involves alternative assumptions of what is likely to occur, and consideration of the expected cost of packing and the prices at which various packs may be sold to consumers.

Since anticipated costs depend to a considerable extent on raw product prices and wage rates, the effect of any government control of these necessarily affects canners' operations.

The anticipated extent of grower price support and control of production on competing crops warrants careful consideration before expression of an industry opinion on post-war support on

fruits and vegetables for processing. Furthermore, price support implies some government regulation or control over production, particularly if the support is at levels that will encourage production greater than demand. Support is not likely to be extended by WFA on the canned product without corresponding grower support. If grower support prices are established and acreage reduced as a requirement of support, canners will be particularly concerned about regulation covering the method and extent of acreage reductions of vegetables among individual growers; for example, whether the acreage of each grower would be cut a uniform percentage as a requirement for eligibility for support on the canned commodity, or whether the canner within the overall reduction required would be free to choose the individual growers with whom he contracts.

RATIONING

Present Status

The War Food Administrator lists the canned foods that are to be rationed. He may add new products to this list from time to time or take any of the products off the rationing list.

The OPA Rationing Division, under the direction of the Administrator of OPA, carries out the details of the rationing program. One of the principal functions of OPA is to establish point values for each of the canned food items. OPA may reduce the point values of any given item to zero, which has approximately the same effect as taking that item off the ration list.

The present status of the rationing program is that all canned fruits are being rationed at the highest point values in the history of the program, whereas most of the canned vegetables have been removed from rationing, canned tomatoes and catsup being two exceptions in the vegetable line.

History

Rationing of canned fruits and vegetables is a control over the distribution of canned foods. It also supplements the OPA price control regulations. Under normal conditions when the supply of canned foods is short, prices tend to rise to a point that keeps the short supply from moving into consumption immediately, thus making canned foods available to consumers throughout the marketing year.

Under price control, however, prices are not permitted to rise. Hence, with the short supplies that have been available for the civilian trade, there was nothing to prevent the supplies moving into consuming channels too rapidly.

The first attempt at rationing was the WPB order, M-237, which placed restrictions on canners' deliveries. This was superseded by the OPA rationing programs announced in February, 1943. These programs supplemented the price ceiling program and provided the necessary retardation to consumer buying, in order to spread out the supplies throughout the marketing year.

Point rationing was designed also to provide a uniform distribution of canned foods among consumers without regard to the consumer's individual purchasing power. This was accomplished by giving each and every consumer the same number of points to be expended during a given rationing period. (Later the expenditure of these points was not confined to a given period.)

Issues Involved in 1945 Program

The 1945 program with respect to rationing begins now rather than after the 1945 pack is ready for distribution, because the pattern of distribution of the remainder of the 1944 pack will have a definite bearing on the 1945 production and distribution. Should canned vegetables be returned to the rationing list for the remainder of the 1944 season? A number of factors will need to be considered in answering that question, one of which is the relative supplies of the various canned vegetables available for the civilian trade. (See statistical appendix.) Another question is, should canned fruits be removed from the ration list or point values be reduced? In considering this question one may want not only to review the available supplies but also to consider the feasibility of rationing a group of products the supply of which may be so short that a uniform distri-

bution among consumers may not be effected even though point values are at very high levels. (When the Government issues points to consumers there is an implied promise that the foods for which these points may be spent will be available at all times. If the supply is so short that they cannot be found on the shelves of a substantial number of retailers, the Government may be in the position of having issued points that have no value.)

The rationing of the 1945 pack is of necessity tied up with the supplies that may be available for the civilian trade from the 1945 pack. The rationing question, therefore, ties in with the program of production of canned foods for 1945 and can be answered only after a consideration of the production goals for 1945.

MANPOWER

It is too early to predict the manpower situation for 1945. If the European war ends and reconversion does not speed up, the entire labor situation may be somewhat eased next summer and fall. If reconversion picks up to a large extent, it may be difficult to secure cannery workers in the face of other permanent employment opportunity. There may be no prisoners of war. The WFA labor program may be cut down by Congress. It may be that the war situation will take away the patriotic appeal to workers.

Both WFA and WMC are aware of these possibilities.

WMC plans to keep its Rural Industries Placement Division intact and to make early plans for 1945 based on a gloomy outlook. WMC's appropriation for importing foreign labor expires July 1, 1945.

WFA likewise is now looking toward 1945 and the Labor Branch has expressed an interest in discussing its 1945 program with the canners prior to the consideration of their appropriation by the Congress.

USE OF CRITICAL MATERIALS

The canning industry is primarily interested in two general uses of critical materials:

- (1) for canning machinery, supplies and equipment;
- (2) for containers.

Insofar as canning machinery and equipment is concerned the restrictions on allocation of the strategic materials by WPB have been relieved considerably, and the Priority Order P-115 regulating the distribution of the manufactured product to the canner has likewise been simplified to the point that most essential machinery is now available.

In connection with container materials there is still a problem of steel and tin for cans. The Committee, at its last meeting, directed certain committees to work with WPB and WFA in the development of M-51 for 1945. Those committees should have the benefit of specific suggestions that the Planning Committee members may have with respect to the details of changes desired in that order. This is especially true of the type of plate to be allowed for 1945 and the sizes of cans permitted.

The Glass Order L-103-b has been relaxed to the point that there is practically no restriction on the use of glass for packing canned foods. There continue, however, some restrictions on the use of tinplate for closures.

APPENDIX

Table I.—Canned Fruits: Pack and Estimated Civilian Supply, 1937-1941 Average, 1942, 1943, and 1944.

Commodity	1937-41 (ave.)	1942	1943	1944 (est.)
Million cases basis No. 2½'s				
Pack:				
Apricots.....	3.4	3.3	1.2	8.7
Fruit salad and cocktail.....	4.7	6.2	5.0	6.6
Peaches.....	12.4	16.0	11.3	14.8
Pears.....	5.3	5.9	4.5	5.0
Pineapple.....	9.3	9.0	10.3	9.0
Other (a).....	15.6	17.8	11.4	17.9
Total.....	50.7	58.2	44.3	61.7
Civilian supply (b):				
Apricots.....	3.0	1.8	0.1	5.7
Fruit salad and cocktail.....	4.1	3.9	3.2	2.1
Peaches.....	11.3	10.1	6.9	4.1
Pears.....	4.4	3.6	1.4	0.6
Pineapple.....	9.0	4.8	6.2	3.1
Other (a).....	14.5	11.1	7.1	10.2
Total.....	46.3	35.3	24.9	25.8

(a) Includes apples, applesauce, cranberries, berries, R. S. P. cherries, sweet cherries, citrus segments, figs, olives, plums, and prunes.

(b) Available for civilians during fiscal year beginning July 1 of year shown; 1937-41 average apparent domestic consumption.

Table II.—Canned Fruit Juices: Pack and Estimated Civilian Supply, 1937-1941 Average, 1942, 1943, and 1944.

Commodity	1937-41 (ave.)	1942	1943	1944 (est.)
Million cases basis No. 2's				
Pack:				
Grapefruit.....	12.1	23.8	26.5	20.8
Other citrus (a).....	4.9	6.7	14.2	14.4
Pineapple.....	10.0	9.9	7.7	8.7
Other				
deciduous (b).....	4.1	6.5	5.6	6.7
Total.....	31.1	46.9	54.0	50.6
Civilian supply (c):				
Grapefruit.....	12.1	22.0	15.8	9.4
Other citrus (a).....	4.9	6.3	10.1	9.1
Pineapple.....	10.0	7.1	5.3	2.4
Other				
deciduous (b).....	4.1	6.3	5.2	6.3
Total.....	31.1	41.7	36.4	27.2

(a) Includes orange, combinations, lemon, and lime.

(b) Includes apple, fruit nectars, grape, and prune.

(c) Available for civilians during fiscal year beginning July 1 of year shown.

Table III.—Canned Vegetables: Pack and Estimated Civilian Supply, 1937-1941 Average, 1942, 1943, and 1944.

Commodity	1937-41 (ave.)	1942	1943	1944 (b)
Million cases basis No. 2's				
Pack:				
Snap beans.....	10.5	23.8	22.9	18.0
Sweet corn.....	20.0	32.1	28.8	25.1
Green peas.....	23.8	35.3	35.1	31.5
Tomatoes.....	27.0	41.3	29.3	28.0
Tomato juice.....	16.1	25.2	22.8	28.3
Other (a).....	**	56.1	61.8	65.9
Total.....	**	213.8	200.7	180.0
Civilian supply (c):				
Snap beans.....	10.5	15.5	16.9	7.0
Sweet corn.....	20.0	20.9	22.8	17.8
Green peas.....	23.8	22.9	28.4	17.8
Tomatoes.....	27.0	25.3	20.1	10.9
Tomato juice.....	16.1	20.9	11.2	12.6
Other (a).....	**	35.7	33.1	40.8
Total.....	**	141.2	132.5	106.9

** Not available.

(a) Includes asparagus, lima beans, beets, carrots, pumpkin and squash, spinach and other greens, tomato pulp, catsup, chili-sauce, tomato paste, tomato sauce, sweet potatoes, white potatoes, mixed vegetables and sauerkraut.

(b) Assumes that the contingency reserve will be released for civilians.

(c) Available for civilians during fiscal year beginning July 1 of year shown.

Table IV.—Fruits and Vegetables for Processing: U. S. Farm Prices, 1935-1939 Average, 1940, September 15, 1944, Parity; and 1941 to 1944 Grower Support Prices (a)

Commodity (b)	Farm price		Support price				Parity price Sept. 15, 1944
	1935-39 (average)	1940	1941	1942	1943	1944	
Dollars per ton							
Fruits for canning:							
Apricots	34.80	53.50	**	**	**	(e) 80.00	68.00
Peaches, cling	25.70	20.60	**	**	**	60.00	46.90
Peaches, free	21.40	18.50	**	**	**	(d) 54.00	41.50
Pears	21.50	25.60	**	**	**	(c) 70.00	59.60
Vegetables for processing:							
Lima beans	63.51	70.35	**	**	98.00	104.00	(f) 104.00
Snap beans	44.51	42.93	**	**	91.00	91.00	67.10
Beets	11.38	12.22	**	**	20.00	20.00	(f) 18.20
Carrots	(g)	(g)	**	**	21.00	21.00	(g)
Cabbage	8.14	5.43	**	7.50	12.00	12.00	9.56
Sweet corn	9.80	8.81	**	**	18.00	18.00	15.40
Green peas	51.22	47.56	**	65.00	81.50	83.50	64.20
Spinach	13.66	13.62	**	**	**	55.00	23.20
Tomatoes	12.40	11.80	(h)	17.00	24.25	25.25	16.30

** No grower support price.

(a) The support prices are not guaranteed to any grower but are supported through the processor (see Table V). The 1935 to 1939 average, 1940, and parity are on a farm price basis and hence are not strictly comparable with the support prices which refer to growers' usual delivery point and in the case of vegetables include the value of all services.

(b) Commodities listed are those for which support prices have been announced. These support prices have been announced by states or for individual processors. The U. S. figures are used only for illustration. For some other commodities designated prices to serve as a basis of the raw product reflection in price ceilings on the processed product have been announced, but these are not summarized here.

(c) No U. S. average support price announced. The state support prices are as follows: California \$60 and other states \$70 per ton.

(d) No U. S. average support price announced. The state support prices are as follows: California \$54 for Elberta and Hales and \$47 for other varieties, and other states \$60 per ton.

(e) No U. S. average support price announced. The state support prices are as follows: California \$70, the Northwest \$73 and other states to be announced.

(f) Comparable price computed under Section 3(b) of the Emergency Price Control Act.

(g) No farm prices on carrots for processing, included with fresh market estimates.

(h) To be supported at prices for canned tomatoes that will make allowance for increases of \$2.75 to \$3.00 per ton over 1940 contract prices to growers or on a U. S. average basis \$14.50 to \$14.75 per ton.

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Table V.—Summary: Canned Fruits and Vegetables Supported by the War Food Administration, 1941 to 1944.

	1941	1942	1943	1944
Canned Fruits	None	None	None	Apricots Peaches, clingstone Peaches, freestone Pears Fruit cocktail and mix
Canned Vegetables		Asparagus Lima beans Snap beans Beets Carrots Sweet corn Green peas Pumpkin and squash Spinach	Lima beans Snap beans Beets Carrots Sweet corn Green peas	Lima beans Snap beans Beets Carrots Sweet corn Green peas
	Tomatoes	Tomatoes Tomato juice	Tomatoes Tomato juice Tomato pulp Tomato paste	Spinach Tomatoes Tomato juice Tomato pulp Tomato paste

Table VI.—U. S. Farm Prices of Selected Agricultural Commodities for 1940-1943; Support Prices for 1944; and Parity Prices as of September 15, 1944, Stated as Percentage of Average Prices for 1935-1939.

Commodity	Actual Farm Prices					Support price, 1944	Parity price Sept. 15, 1944
	1935-39 (average)	1940	1941	1942	1943		
<i>Percentage of 1935 to 1939 average</i>							
Fruits for canning:							
Apricots.....	100	154	128	182	296	256	195
Grapefruit (a).....	100	72	85	157	288	(b) 306	(c) 258
Peaches, cling.....	100	80	187	233	253	233	182
Pears.....	100	119	195	303	324	333	277
Vegetables for processing:							
Snap beans.....	100	96	120	168	211	204	151
Sweet corn.....	100	89	98	136	196	182	156
Green peas.....	100	93	95	124	156	163	125
Tomatoes.....	100	95	121	159	211	204	131
Other commodities:							
Wheat.....	100	81	113	130	161	153	179
Corn.....	100	89	109	129	156	135	158
Potatoes.....	100	75	113	163	180	162	172
Soybeans.....	100	94	162	168	192	214	(c) 171
Groups of commodities:							
All farm products.....	100	93	116	149	179	(d) 181	159
Crops.....	100	91	109	146	189	(d) 203	175
Livestock and products.....	100	96	120	148	171	(d) 164	145
Dairy products.....	100	100	117	136	162	(d) 166	143

(a) Fruit from bloom of preceding year.

(b) Preliminary actual price.

(c) Comparable price.

(d) 8-month average of actual prices.